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SECURITY INFORMATION

29 May 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

*Army, USAF and State Dept
reviews completed*

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THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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GENERAL

1. Soviet desire to negotiate seen in latest note: US High Commission officials in Berlin believe that the latest Soviet note confirms that the Kremlin is not yet prepared to abandon efforts aimed at preventing implementation of the contractual agreements or securing "satisfactory" four-power agreement on Germany.

HICOG points out that the USSR has now accepted the demand of the Western powers for the establishment of an impartial commission to investigate elections, and has, at least temporarily, dropped its insistence on Germany's exclusion from any alliance of Western powers. (C US HICOG Berlin 1405, 27 May 52)

Comment: The recent note indicated little change in the Soviet position. It evaded the specific Western conditions regarding German elections by implying that the composition of an impartial electoral commission be settled by four-power agreement, and was ambiguous respecting Germany's right to enter into an alliance with the West.

2. Soviet Embassy personnel criticize Mossadeq policies:

25X1 [redacted] in Iran has informed the US Embassy that Soviet Embassy personnel there are privately expressing a new line towards Mossadeq. They are reportedly claiming that the Soviet Government has been patient with him because it was convinced that he was honestly trying to cast off Western imperialism. Now, however, he has completely capitulated to US pressure. The Ambassador added that the USSR is convinced that Mossadeq will be disappointed in his hope for US aid as a reward for his capitulation. (S Tehran 4557, 26 May 52)

Comment: This attitude was expressed by Soviet Embassy personnel immediately after Mossadeq's agreement to resumption

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of US military aid. Together with the recent official Soviet note of protest, it may presage a change in Moscow's policy of "friendship" and outward non-intervention in Iranian affairs which has prevailed during the past year and a half.

3. Soviet Mission reportedly differentiates between Japanese repatriates and Communist Party members: Soviet Mission members in Japan have reportedly begun to differentiate between Japanese repatriates from the USSR and Manchuria and the Japanese Communists. According to a statement allegedly made by an unidentified member of the Mission, the repatriates are rejecting Communism, thus frustrating Soviet plans to use them as leaders in a Japanese revolutionary movement. The Soviet Mission estimates that Japanese Communist strength is approximately 300,000 formal and secret members with an additional 500,000 sympathizers.

The Far East Air Force comments that the validity of this statement cannot be judged, since this is the first report regarding a changed Soviet attitude toward repatriates. (S CQ FEAF Tokyo AX 5263, 22 May 52)

Comment: The US Political Advisor received in February a report that membership of the Communist-front Japan Repatriates League has decreased from 36,750 in 1948 to a present enrollment of only a few thousand.

EASTERN EUROPE

4. Forthcoming Hungarian trial may concern American espionage: Well-informed sources in Budapest predict that the next Hungarian trial will concern American espionage. A driver for the Legation allegedly is implicated by a letter of recommendation from a former American attache, which will be construed as directing sabotage. (S Budapest L-2893, 26 May 52)

Comment: The subject of American espionage has not appeared in Hungary since last winter when all the Satellites held trials of "American agents" allegedly operating under the provisions of the Mutual Security Act.

5. Hungarian measures to retrieve crop damage hit independent farmers: In announcing a governmental communique revealing recent crop damage and ordering replanting, the

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Hungarian People's Economic Council on 24 May stated that new seeds would be supplied free to farms growing crops on contract for the state. However, additional corn seed for replanting would be given only to state and cooperative farms.

The US Legation in Budapest pointed out that the denial of corn seed to independent farmers, who cultivate three fourths of Hungary's arable land, may indicate a shortage of seed corn, although the amount available from other sources is an unknown factor. Moreover, the delay produced by reseeding will seriously hamper plans for a second crop, largely forage, and thus dim prospects for increasing the livestock supply. (C Budapest 878, 27 May 52)

Comment: The refusal of seed corn to independent farmers is another step in this spring's campaign to collectivize by "attraction," i.e., by making life impossible outside collectives.

Hungary's food margin is small, since last year's bumper crop was the first postwar harvest to exceed prewar production, after a series of poor or fair years. The livestock supply still is short, however, and a failure to augment it this year would reduce further the Hungarian standard of living, already jeopardized by high prices resulting from inflation.

6. Former Social Democrats may become scapegoats for Hungarian plan failures: A Hungarian newspaper on 24 May reported sentences of one to five years plus fines on several managers of county building brick works. Two of the accused, cited as "former Social Democrats," were charged with intentionally using bad material and producing bricks which crumbled during building operations.

The US Legation in Budapest comments that the sentences are a probable forerunner of a wave of selected arrests and charges in which former Social Democrats will be made the scapegoats for failures of the party planners to meet Soviet standards. (R Budapest 877, 26 May 52)

Comment: The Hungarian press and radio recently launched a campaign to re-examine the so-called Loy Movement ("Produce More Today than Yesterday") which had led to quantity output at the expense of quality. Concurrently the Ministry of Light Industry reportedly showed engineers and Stakhanovites a Soviet comedy ridiculing such procedures. Although Social

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Democrats are natural scapegoats for the failures of Hungarian planning, party and mass organization leaders have been sharply criticized for confusing quantity with quality.

The present attack is part of a concerted campaign to close the loopholes in the Hungarian economy by eliminating waste of all kinds.

7. Rumanian Cabinet members dismissed: By a decree of the Presidium of the Rumanian Grand National Assembly on 27 May, Teohari Georgescu was discharged from his posts as Minister of Interior and Vice Chairman of the Rumanian Council of Ministers. Draghici Alexandru, the former Deputy Minister, was appointed as the new Minister of Interior.

Also affected by the decree was Vasile Luca, who was discharged from his post as Vice Chairman of the Council of Ministers. (R FBIS Bucharest, 28 May 52)

Comment: Vasile Luca was removed from his post as Minister of Finance on 8 March. At the time, it was generally assumed that the removal had come primarily as the result of Luca's unsatisfactory handling of Rumanian financial policy, particularly in the case of the January currency reform. There has been some speculation, however, as to whether the dismissal might not have come as the result of an intra-party dispute between a "National" and a "Moscow" wing within the party hierarchy. Other rumors have hinted that the removal was engineered by Georgescu, for motives of personal political ambition.

The American Legation in Bucharest has recently reported strong rumors of a "clean up" in the Rumanian Ministry of Interior, and it is possible that the removal of Georgescu is in no way connected with the Luca dismissal. However, it is at least feasible that the two men might have been removed as a result of the threat posed to party solidarity by their reported personal rivalry and ambition. In any case, since Luca is identified with the "Moscow wing" and Georgescu is generally regarded as being close to Gheorghiu-Dej and other members of the "National wing," the concurrent dismissal of the two men tends to weaken speculation that the removals might have come as the consequence of an intra-party clash between "Moscow" and "National" elements.

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FAR EAST

8. Martial law in South Korea explained: In reply to a request from the UN Commission for the Unification and Rehabilitation of Korea for an explanation of the martial law proclamation in parts of South Korea, Major General Won Yong-tok stated that the law was imposed because "Communist leaders . . . had tried to overthrow the government." Under the law, he claimed, "all members of the government, including cabinet ministers," were to report to him.

General Won stated that he reported directly to President Rhee; the Defense Minister could "supervise" him but could give no orders. Neither the Prime Minister nor Chief of Staff had any authority over him. (S Pusan 1176, 28 May 52)

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9. Chinese bid for trade with Japan: A Chinese firm sent a cable on 27 May to the Leftist Japan-China Trade Promotion Association in Tokyo stating that China is willing to trade with Japan on a barter basis. Peiping, the cable said, is prepared to offer coal and iron in exchange for galvanized sheets, tin plate, steel plate, and copper ingots. It is also willing to import textile machinery, rayon yarn, and cotton cloth, but these products are of secondary interest and will be considered only if the Japanese agree to ship the steel and copper items. (R FBIS Tokyo, 27 May 52)

Comment: Prior to World War II, Japan obtained from China about two-thirds of its total coking coal and one-third of its total iron ore imports. Peiping's current offer of its comparatively low-priced coal and iron is designed to encourage a relaxation of Japan's stringent export controls.

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10. K. C. Wu reportedly to become Nationalist Minister of Foreign Affairs: K. C. Wu may be appointed Foreign Minister of Nationalist China, according to the Chinese Ambassador in

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Santiago. There will be an accompanying reorganization of the Ministry of Foreign Affairs. (S Santiago 627, 28 May 52)

Comment: K. C. Wu, now Governor of Formosa, was educated in the United States and is considered thoroughly pro-American.

Since the exclusion of Nationalist China from the San Francisco peace treaty conference, the present Foreign Minister, George Yeh, reportedly has been out of favor.

11. Swatow airfield in South China still unoccupied: According to a [redacted] the Swatow airfield, opposite Formosa, the field is still unused and no antiaircraft [redacted] (S Navy Taipei B-2, 28 May 52)

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Comment: [redacted] the [redacted] when it was reported that large craters were visible on the runway and that there were no signs of repair activity.

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13. Vietnamese ask for voice in arms aid programming: Invoking Vietnamese nationalist aspirations, Bao Dai requested US Minister Heath to make arrangements as soon as possible for the Vietnamese Ministry of Defense to negotiate with the American Military Assistance Advisory Group on arms aid for the Vietnam National Army. The newly appointed Vietnamese Chief of Staff emphasized the need for a more self-contained National Army in terms of supporting services. (S Saigon 2357, 28 May 52)

Comment: Until recently Vietnam has had no general staff and still lacks a full-time Minister of Defense. It has played only a passive role in the programming and distribution of American aid, both for practical reasons and owing to French reluctance to permit direct, bilateral dealings between Vietnam and countries other than France.

14. French aides in Saigon propose High Commission for Pacific: The American Minister in Saigon has reported that the younger aides of the Minister Resident favor the transformation of the French High Commissariat into a roving mission responsible for over-all supervision of French interests through Southeast Asia and the Pacific area. Under their plan, the present French Commission with administrative and executive powers in the Associated States would be replaced with quasi-diplomatic high commissions located in each of the states. (S Saigon 2343, 27 May 52)

Comment: This may be an indication of increasing French awareness that before capable Vietnamese will assume leadership in the government they must be given a degree of independence comparable to that of the Commonwealth nations.

The French may also believe that by raising the level of their commissariat they would put themselves in a better position to obtain the long-desired tripartite talks on Southeast Asia and Pacific policy.

15. Former Indonesian government official delivers unequivocal anti-Soviet statement: In an unusually unequivocal comment, former Finance Minister Wibisono stated on 23 May, the anniversary of the Indonesian Communist Party, that the time has not yet come for Indonesia to establish reciprocal relations with Moscow because "embassies of the USSR form headquarters of Communist propaganda from which subversive and espionage activities are carried out." He added that if

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a Soviet embassy were established in Djakarta, unrest and disorder would continue in Indonesia since the Chinese Communists would draw their support "directly from the Russian Embassy." (R Djakarta 1716, 27 May 52)

Comment: Such a strong anti-Communist statement is unusual in Indonesia. Wibisono is a member of the Masjumi and has evidenced his anti-Communist views on former occasions, but seldom so definitely.

Foreign Minister Mukarto announced to Parliament on 10 May that preparations were under way for an exchange of ambassadors between Indonesia and Soviet Russia. Increasing opposition by prominent public figures may have caused the government to reconsider. A semi-official news agency on 16 May quoted "well-informed circles" of the government's "new plan" to establish only commercial relations with the Soviet Union.

NEAR EAST - AFRICA

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WESTERN EUROPE

17. Trieste elections reflect decreasing popularity of Italian Christian Democrats: Although the 25 May elections in Zone A of Trieste gave the pro-Italian parties a majority, the Christian Democrats showed a notable loss of strength since the last elections. The neo-Fascists almost doubled their vote, as did the parties favoring an independent Trieste. The Communists lost slightly in the city of Trieste, but their party remained the second strongest there and in Zone A as a whole.

The pro-Italian vote was 58.6 percent of the total as compared with 62.4 percent in 1949. In the city of Trieste, the Christian Democratic vote dropped from 39 to 33 percent of the total and that of the electoral bloc led by the Christian Democrats from 52.7 to 47 percent. (R Trieste 1150, 27 May 52)

Comment: The trends in Trieste, as Premier de Gasperi had feared, are generally similar to those shown in the South Italian elections of the same date.

18. Communists denounce "American firing" into East Germany: American authorities in Germany are investigating reports from the Bavarian border police that 15 shots were fired from Bavaria into East Germany at one of the small crossing-points on 26 May. Whether or not the incident actually occurred, the Communists are using it in their propaganda. East German police reportedly told Bavarian police that Americans firing into East Germany have killed 60 people and, unless they stop, the Russians will take countermeasures.

United States Army intelligence officials believe that East German and Soviet authorities may use the "incident" as an excuse for interfering further with interzonal traffic, making threatening gestures on the border, or claiming the necessity for East German rearmament. (C Heidelberg SX 5568, 27 May 52)

19. East German security areas defined: East Germany's new security zone along the interzonal frontier will reportedly be divided into three areas and be similar to the security zone implemented since early 1950 along the Czech-West German boundary. The zone, from west to east, will consist of one area completely evacuated as a "dead zone," a second area where special resident passes, traffic controls, and curfews will be

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employed, and a third where controls will be somewhat less stringent.

United States Army intelligence officials in Germany doubt that the security areas, particularly the "dead zone," can be effectively established immediately. (C Heidelberg SX 5614, 27 May 52)

Comment: According to press reports of 29 May, the East Germans have already started the eviction of many farmers along the border, and are already digging trenches and erecting barricades.

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20. More Berlin phone lines expected to be cut: [redacted]

25X1C [redacted] the East Germans are likely to disconnect more of West Berlin's long-distance telephone lines. Eighteen of the 25 long-distance lines were cut on 27 May, as were all automatic phone connections between East and West Berlin.

Since 27 May, all long-distance calls between Berlin and West Germany have been routed through Leipzig, whereas they formerly went through three cities. Facilities in Leipzig are already overloaded, and all interzonal traffic will be delayed.

Some of the East German phone lines have been transferred to direct Soviet use; the source of this report believes this may indicate a Soviet troop build-up in the areas involved.

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Comment: The US High Commissioner's office in Berlin estimates that 50 percent of the German commercial calls which formerly used the long-distance lines that have been cut could be handled by high-frequency radio telephone towers in West Berlin, with delays ranging up to one hour. Telegraph facilities between West Berlin and the West are not yet affected.

Several weeks ago, Soviet authorities in Austria obtained a transfer of additional telephone lines for their sole use; the significance of this move is not known.

21. Russians reportedly vacating building in British sector of Berlin: British authorities report evidence that the Russians are in the process of evacuating their radio headquarters building in the British sector of Berlin.

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Soviet representatives at the Allied air safety center in the American sector have since 24 May remained at their posts on a 24-hour basis; before then they usually spent only a few hours daily there. (S Berlin 1411, 27 May 52)

Comment: Evidence that heavy equipment was being moved out of the radio building was previously reported. The Allies have in the past retaliated against Soviet harassing by controlling movements into this building, and have recently planned further such action.

22.

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23.

Serious illness of Austrian President may bring early elections: Chancellor Figl has reportedly advised his closest advisers in the People's Party that, because of the serious illness of President Koerner, new presidential elections may be held before the end of the year. Figl allegedly stated that such elections would put a considerable strain on the coalition government. [REDACTED]

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Comment: Socialist Koerner was elected president in May 1951 in an unexpected victory over the People's Party candidate. The Socialists' success after an extremely heated campaign is generally conceded to have initiated the bickering which has troubled coalition relations ever since.

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President Koerner is seventy-nine; this is the first report that his health is failing.

LATIN AMERICA

24. Colombian President critically ill: The titular Colombian President, Laureano Gomez, suffered another stroke on 24 May and his condition is grave. The US Embassy in Bogota comments that the death of Laureano Gomez could create "a wide-open political situation." (C Bogota 740, 27 May 52)

Comment: The Colombian constitution requires that new elections be held if the elected president becomes unable to perform the duties of his office before at least half of his four-year term has expired. Gomez, who will have been in office two years in August, has been on leave because of poor health since November 1951, but the ruling Conservative faction has maintained that his absence is only temporary.

The present serious cleavage within the Conservative Party and the well-disciplined unity of the opposition Liberal Party indicate that the currently dominant Conservative faction might fail to win a new presidential election.

25. Possible revolution in Peru: The US Embassy in Lima has been informed that an attempt to overthrow the Odria government would be made during the last week in May or the first week in June. Odria, with important members of his security staff, planned to leave Lima on 28 May for a nine-day trip in northern Peru. The Embassy "still believes attempt most unlikely." (S Lima 569, 28 May 52)

Comment: Certain high-ranking army officers have reportedly been linked with the Aprista underground in a subversive plot for some months. Peruvian authorities are not known to be aware of this plot, but the increased police vigilance which has resulted from the successful 9 April revolution in neighboring Bolivia may militate against the success of a coup at this time.

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FAR EAST

1. Strong UN action urged against President Rhee: American Charge Lightner in Pusan believes that if democratic government in South Korea is to be preserved, immediate action is required to curb President Rhee's dictatorial methods.

Lightner recommends a protest by the UN Commission for the Unification and Rehabilitation of Korea. If this does not bring immediate results, the Charge suggests a 24-hour ultimatum specifying that UN forces will take protective action unless imprisoned National Assemblymen are released and their safety and right to meet guaranteed.

Lightner comments that if the violation of democratic processes is permitted in Korea, where the United Nations is in a strong position, Korean democratic elements will be completely disillusioned and the new governments of the Far East will gain the impression that the United States is unwilling to support the principles it professes. (TS Pusan 1171, 28 May 52)

WESTERN EUROPE

2. Austrian Minister admits Gruber will meet with Tito in Yugoslavia: The Austrian Minister to Yugoslavia has informed Ambassador Allen that arrangements have now been completed for a meeting in June of Austrian Foreign Minister Gruber with Marshal Tito. The visit, according to the Minister, was proposed by the Yugoslavs for the purpose of improving Yugoslav-Austrian relations. The Minister asserted that he did not know whether Gruber would raise the question of Trieste, but acknowledged his belief that Austria, as an interested neighbor, is in a favorable position to urge Yugoslav-Italian agreement on this matter. (S S/S Belgrade 1500, 27 May 52)

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Comment: The Yugoslav Minister to Vienna recently provoked a sharp Italian protest because of his alleged urging before an Austrian audience of a pro-Yugoslav solution to the Trieste issue. Hence, in promoting a visit of the Austrian Foreign Minister, the Yugoslavs may be hoping to elicit additional sympathy for their position.

Despite Gruber's recent pilgrimage to Rome, other reports have suggested that the Italians not only know of Gruber's intended visit and are suspicious of its purpose, but are also attributing the conversations to British initiative.

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LATIN AMERICA

3. Senora de Peron rumored to be in critical condition: The US Embassy in Buenos Aires had reported "strong and persistent rumors" that Senora de Peron is in a "crisis health condition," and that her early demise is possible. The Embassy points out that there is little definite information. (C S/S Buenos Aires 814, 27 May.52)

Comment: Senora de Peron reportedly was unable to attend a 22 May luncheon which she had arranged for the visiting Japanese industrial mission. There have been numerous other indications that her health has continued to fail since her serious cancer operation last November.

The definite elimination of Senora de Peron from the political scene might lessen army objections to Peron's administration, but it could also be expected to weaken administration control of the powerful General Confederation of Workers, mainspring of Peronista support.

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